GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

STARRED QUESTION NO:400
ANSWERED ON:30.07.2009
LOSSES TO OIL COMPANIES
Adhalrao Patil Shri Shivaji

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) the losses incurred by the Public Sector Petroleum Companies on account of fluctuation in the global prices of petroleum products, during the last six months;

(b) the loss incurred by the Oil Companies on the basis of actual production cost at refineries during the last six months; and

(c) the steps taken by the Union Government to reduce the administrative expenditure and the non-production expenditure of the Public Sector Petroleum Companies?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI MURLI DEORA)

(a)to(c): A statement is laid on the Table of the House.

Statement referred to in reply to parts (a) to (c) of Lok Sabha Starred Question No. 400 asked by Shri Adhairao Patil Shivaii to be answered on 30th July, 2009 regarding Losses to Oil Companies.

(a)&(b): Due to the rising international oil prices, the Public Sector Oil Marketing Companies (OMCs), namely, Indian Oil Corporation (IOC), Bharat Petroleum Corporation (BPC) and Hindustan Petroleum Corporation (HPC) are incurring under-recoveries on the sale of sensitive petroleum products i.e. Petrol, Diesel, PDS Kerosene and Domestic LPG. The under-recoveries incurred by the OMCs on these petroleum products during the last six months, i.e., the period January to June 2009 was Rs.2,514 crore.

The major element of cost in the refining process is crude oil, which constitute around 95% of the total cost of production. In addition to crude oil cost, the refineries incur operating expenses towards salaries & wages, chemicals & catalysts, power & water, repairs & maintenance, depreciation and other overheads. The blending of intermediate products streams from various process units for making finished petroleum products makes it difficult to allocate the total costs to individual products, with a degree of accuracy. Therefore, under the system being followed, individual product-wise costs are not identified separately.

The OMCs` under-recoveries of Rs. 1,03,292 crore during 2008-09 were compensated by Government through issuance of Oil Bonds of Rs.71,292 crore while the upstream oil PSUs viz. ONGC, OIL and GAIL issued price discounts on crude oil and products of Rs. 32,000 crore. In addition, ONGC and OIL issued price discounts of Rs.943 crore to OMCs to compensate them for their import losses.

After even taking into account this financial assistance, the OMCs viz. IOC, BPC and HPC bareiy escaped going into losses, and were able to report meagre profits of Rs.2950 crore, Rs.736 crore and Rs.575 crore respectively, for 2008-09.

(c): The administrative expenditure is regulated in accordance with the guidelines issued from time to time by the Department of Expenditure, Ministry of Finance. The OMCs have informed that they are strictly adhering to the guidelines issued by the Ministry of Finance on `Expenditure Management - Economy Measures and Rationalization of Expenditure`.